

IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Imlay City Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Imlay City Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 3, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - IX and 19 - 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Imlay City Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-I-

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Imlay City Community Schools, a K-12 school district located in Lapeer County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Imlay City Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Imlay City Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

NET ASSETS SUMMARY

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$7,241,166	\$13,710,626
Non-Current Assets	<u>30,086,192</u>	<u>25,407,577</u>
<u>TOTAL ASSETS</u>	<u>\$37,327,358</u>	<u>\$39,118,203</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,699,779	\$3,399,036
Long-Term Liabilities	<u>31,653,394</u>	<u>32,600,630</u>
Total Liabilities	\$34,353,173	\$35,999,666
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(1,722,818)	(2,293,914)
Restricted - Debt Retirement	1,195,249	1,570,833
Unrestricted	<u>3,501,754</u>	<u>3,841,618</u>
Total Net Assets	<u>\$2,974,185</u>	<u>\$3,118,537</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$37,327,358</u>	<u>\$39,118,203</u>

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,890,868	\$1,782,639
Property Taxes Levied for Debt Service	1,759,233	1,939,128
State of Michigan Unrestricted Foundation Aid	13,611,499	13,213,791
Gain on Sale of Assets	7,127	1,017,553
Other General Revenues	<u>242,636</u>	<u>227,659</u>
Total General Revenues	\$17,511,363	\$18,180,770
<u>Operating Grants:</u>		
Federal	1,142,809	1,072,367
State of Michigan	1,140,792	1,141,528
Other Grants	<u>65,655</u>	<u>78,859</u>
Total Operating Grants	\$2,349,256	\$2,292,754
<u>Charges for Services:</u>		
Food Service	337,827	335,468
Athletics	77,515	77,577
Special Education Consortium	171,255	214,673
Other Charges for Services	<u>150,219</u>	<u>138,578</u>
Total Charges for Services	\$736,816	\$766,296
Total Revenues	\$20,597,435	\$21,239,820
<u>EXPENSES</u>		
Instruction & Instructional Support	10,293,551	10,553,595
Support Services	6,837,311	6,195,357
Community Services	66,843	69,886
Food Service	1,042,415	773,168
Athletics	522,629	485,721
Interest on Long-Term Debt	1,434,116	1,440,493
Depreciation	<u>544,922</u>	<u>524,982</u>
Total Expenses	\$20,741,787	\$20,043,202
<u>INCREASE IN NET ASSETS</u>	(\$144,352)	\$1,196,618
<u>BEGINNING NET ASSETS</u>	<u>3,118,537</u>	<u>1,921,919</u>
<u>ENDING NET ASSETS</u>	<u><u>\$2,974,185</u></u>	<u><u>\$3,118,537</u></u>

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's total net assets decreased by \$144,352 to a total of \$2,974,185. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$571,096 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The District's unrestricted net assets decreased by \$339,864 during the year and the restricted portion of the net assets decreased by \$375,584. The restricted net assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$144,352. The total revenues decreased by \$642,385. The major changes were in the 2003-2004 fiscal year, the district received non-recurring revenue for the sale of property, formerly the location of Venture High School. Expenses increased by \$698,585. Major changes were the purchase and remodeling of a new facility for Venture High School of \$881,173 and the final stages of the remodeling of the Imlay City Middle School kitchen and cafeteria for \$259,435.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The District's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$153,922 during the year with the decrease coming primarily from an decrease in cash. Revenues and other financing sources for the year decreased by \$449,272 primarily from the loss of non-recurring revenue from the sale of Venture High School, and also the increase in the State Aid Foundation grant from 40 additional students. Unlike fiscal year 2003-04, the District's State Aid Foundation grant was not decreased by \$74 per student, from \$6,700 to \$6,626 as a result of an executive order by the governor. Expenditures and other financing uses increased by \$147,838, primarily was due to the first stages of a \$518,529 project to level 35 acres of vacant property across from the high school. The project includes the leveling of the property to facilitate a regulation soccer field and parking, with future plans to build tennis courts and other athletic fields as necessary and as funding permits. The project will be completed early in the 2005-2006 school year. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Imlay City Community Schools foundation allowance was \$6,700 per student for the 2004-2005 school year.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 2,355 students. An increase of 40 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$1,890,868. An increase of \$108,229 from the prior year.

Debt Retirement Fund

The District's debt retirement fund balance decreased by \$375,584. The fund balance is restricted to use for payments on bonded debt. The fund had expenditures of \$2,166,474 in paying the required interest and principal payments of the school's bonded debt. The majority of the fund's revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2004-2005, the District's debt millage levy was 5 mills that generated revenue of \$1,759,233. A decrease of \$179,895 from the prior year.

Capital Projects Fund

The District's Capital projects fund balance decreased by \$5,046,895. The primary source of revenue was interest. Expenditures, which are restricted for construction projects, were \$5,067,597 for the year. On April 28, 2003, the voters of the District approved the issuance of the 2003 School Building and Site Bonds which will be used for construction and technology projects at its elementary, middle school and high school buildings and other facilities.

MAJOR FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original	Variance Actual
				& Final Budget %	& Final Budget %
Revenue	\$17,130,645	\$17,747,985	\$17,902,640	3.60	0.87
Expenditures	17,808,655	18,074,502	18,056,562	1.49	0.10
<u>TOTAL</u>	<u>(\$678,010)</u>	<u>(\$326,517)</u>	<u>(\$153,922)</u>		

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

MAJOR FUND BUDGETARY HIGHLIGHTS: (Continued)

DEBT RETIREMENT FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$1,693,889	\$1,860,000	\$1,790,890	9.81	3.72
Expenditures	2,081,060	2,165,962	2,166,474	4.08	0.02
<u>TOTAL</u>	<u>(\$387,171)</u>	<u>(\$305,962)</u>	<u>(\$375,584)</u>		

CAPITAL PROJECTS FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$25,000	\$20,000	\$20,702	20.00	3.51
Expenditures	5,947,450	5,617,492	5,067,597	5.55	9.79
<u>TOTAL</u>	<u>(\$5,922,450)</u>	<u>(\$5,597,492)</u>	<u>(\$5,046,895)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Imlay City Community Schools amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year. Significant items affecting the budgets for the fiscal year were:

General Fund:

- Original vs. Final Budgets
 - Revenues – Significant items affecting Original vs. Final revenue estimates include:

The original budget was prepared with an expected increase of 12 students. The expected student count was exceeded by 28 students which yielded a significant increase in the State Aid funding for the year.

Other notable positive variances include: Some of the federal grants were increased from beginning budget estimates especially in the Title VI Special Education Flowthrough funding. Late in fiscal year 2004-05, Blue Cross Blue Shield reimbursed Imlay City Community Schools for premiums paid in response to a favorable experience rating.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

ANALYSIS OF BUDGETS: (Continued)

General Fund:

- Expenditures – Significant items affecting the variance between the Original Budget and the Final budget was the initial stages of the project to level 35 acres across the street from the high school. This project added \$132,431 of expenditures in the general fund budget.

Increases in expenses for energy use, especially electricity, were later adjusted to reflect actual use.

Transportation costs were higher in several expense areas, including substitute drivers and vehicle maintenance and repair items.

- Final Budget vs. Actual Results
 - Revenues – Significant differences between the Final vs. Actual budget were due to Proposal A Obligation adjustments due to a change in the taxable values reported by the county treasurer and they were adjusted in the State Aid Payment in July 2005.
 - 2004 Special Education Headlee Obligation and 2003 Proposal A Obligation adjustments also lead to differences in revenue.
 - Expenditures – There were no significant items affecting the variance between the Final vs. Actual Budget.

Debt Retirement Fund:

- Original vs. Final Budgets – Significant items affecting the variance between the Original Budget and the Final budget were adjustments in property tax receipts and corrections in the budgeted principal payments for the 1991 bond issue.
- Final Budget vs. Actual Results – Significant differences between the Final vs. Actual budget were lower than projected tax revenues due to Board of Review adjustments on the revenue side, and no significant changes in expenditures.

Capital Projects Fund:

- Original vs. Final Budgets – Significant items affecting the variance between the Original Budget and the Final Budget were lower than anticipated interest revenue. The expense variation is due to the expectation that all the projects were to be completed by the end of the fiscal year. Many elements of the project were still in the finishing stages and the expenses will occur in fiscal year 2005-06.
- Final Budget vs. Actual Results
 - Revenues – There were no significant differences in the Final Budget vs. Actual Results
 - Expenditures – Variance is due to an adjustment made to applying a portion of the July 2005 construction billing to the 2004-05 fiscal year.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance 7-01-04	Increases (Decreases) 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Bonds Payable	\$32,470,382	\$0	\$792,587	\$31,677,795
Notes Payable	848,601	0	146,789	701,812
Compensated Absences	221,022	(3,731)	0	217,291
<u>Total Long-Term Debt</u>	<u>\$33,540,005</u>	<u>(\$3,731)</u>	<u>\$939,376</u>	<u>\$32,596,898</u>

B. Capital Assets

The District's net investment in capital assets decreased by \$388,982 during the fiscal year. This can be summarized as follows:

	Balance 7-1-04	Additions	Deductions	Balance 6-30-05
Capital Assets	\$33,272,537	\$368,975	\$14,644	\$33,626,868
Less: Accumulated Depreciation	(9,907,446)	(757,957)	(14,644)	(10,650,759)
<u>Net Investment Capital Assets</u>	<u>\$23,365,091</u>	<u>(\$388,982)</u>	<u>\$0</u>	<u>\$22,976,109</u>

Significant additions were food service building improvements and the purchase of a bus.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Imlay City Community Schools.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$2,330,714	\$3,175,168
Investments	1,999,648	7,908,471
Taxes Receivable	41	0
Accounts Receivable	6,362	1,581
Due from Other Governmental Units	2,851,840	2,609,675
Inventory	20,473	11,237
Prepaid Expenses	32,088	4,494
Total Current Assets	<u>\$7,241,166</u>	<u>\$13,710,626</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	7,110,083	2,042,486
Capital Assets	33,626,868	33,272,537
Less: Accumulated Depreciation	<u>(10,650,759)</u>	<u>(9,907,446)</u>
Total Noncurrent Assets	<u>\$30,086,192</u>	<u>\$25,407,577</u>
<u>TOTAL ASSETS</u>	<u>\$37,327,358</u>	<u>\$39,118,203</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	77,694	1,055,154
Salaries Payable	1,107,108	962,991
Accrued Expenses	570,444	441,516
Deferred Revenue	1,029	0
Current Portion of Long-Term Obligations	943,504	939,375
Total Current Liabilities	<u>\$2,699,779</u>	<u>\$3,399,036</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>31,653,394</u>	<u>32,600,630</u>
<u>TOTAL LIABILITIES</u>	<u>\$34,353,173</u>	<u>\$35,999,666</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	(1,722,818)	(2,293,914)
Restricted for:		
Debt Retirement	1,195,249	1,570,833
Unrestricted	<u>3,501,754</u>	<u>3,841,618</u>
<u>TOTAL NET ASSETS</u>	<u>\$2,974,185</u>	<u>\$3,118,537</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Program Revenues		Net (Expense)
		Charges For	Operating	Revenue &
		Services	Grants and	Change in
			Contributions	Net Assets
Governmental Activities:				Net (Expense)
Instruction	\$10,293,551	\$0	\$1,832,413	Revenue &
Support Services	6,837,311	293,618	65,655	Change in
Community Services	66,843	27,856	0	Net Assets
Food Service	1,042,415	337,827	451,188	
Athletics	522,629	77,515	0	
Interest - Long-Term Obligations	1,434,116	0	0	
Depreciation - Unallocated	544,922	0	0	
<u>TOTALS</u>	<u>\$20,741,787</u>	<u>\$736,816</u>	<u>\$2,349,256</u>	<u>(\$17,655,715)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,650,101
State Aid				13,611,499
Grants and Contributions Not Restricted to				
Specific Programs				11,691
Investment Earnings				95,845
Gain on Sale of Assets				7,127
Miscellaneous				135,100
Total General Revenues and Transfers				<u>\$17,511,363</u>
Change in Net Assets				<u>(\$144,352)</u>
Net Assets - Beginning				<u>3,118,537</u>
<u>Net Assets - Ending</u>				<u>\$2,974,185</u>
				<u>\$3,118,537</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Debt Retirement Fund	2003 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$704,836	\$1,280,926	\$20,967	\$323,985	\$2,330,714
Investments	1,434,152	0	565,496	0	1,999,648
Taxes Receivable	0	41	0	0	41
Accounts Receivable	6,362	0	0	0	6,362
Due from Other Governmental Units	2,849,532	0	0	2,308	2,851,840
Due from Other Funds	297,829	0	0	0	297,829
Inventory	0	0	0	20,473	20,473
Prepaid Expenses	32,088	0	0	0	32,088
<u>TOTAL ASSETS</u>	<u>\$5,324,799</u>	<u>\$1,280,967</u>	<u>\$586,463</u>	<u>\$346,766</u>	<u>\$7,538,995</u>
<u>LIABILITIES</u>					
Accounts Payable	\$61,638	\$0	\$15,866	\$190	\$77,694
Due to Other Funds	0	85,718	0	212,111	297,829
Salaries Payable	1,107,108	0	0	0	1,107,108
Accrued Expenses	361,388	0	0	0	361,388
Deferred Revenue	342	0	0	687	1,029
Total Liabilities	<u>\$1,530,476</u>	<u>\$85,718</u>	<u>\$15,866</u>	<u>\$212,988</u>	<u>\$1,845,048</u>
<u>FUND BALANCES</u>					
Reserved For:					
Inventory	0	0	0	20,473	20,473
Debt Retirement	0	1,195,249	0	0	1,195,249
Capital Projects	0	0	570,597	0	570,597
Unreserved:					
Undesignated, Reported In:					
General Fund	3,794,323	0	0	0	3,794,323
School Service Funds	0	0	0	113,305	113,305
Total Fund Balances	<u>\$3,794,323</u>	<u>\$1,195,249</u>	<u>\$570,597</u>	<u>\$133,778</u>	<u>\$5,693,947</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$5,324,799</u>	<u>\$1,280,967</u>	<u>\$586,463</u>	<u>\$346,766</u>	<u>\$7,538,995</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:		\$5,693,947
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$33,626,868 and the accumulated depreciation is \$10,650,759		22,976,109
Construction in Progress		7,110,083
Accrued Interest on Long-Term Debt		(209,056)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$31,677,795	
Notes Payable	701,812	
Compensated Absences Payable	217,291	
Total Long-Term Liabilities		<u>(32,596,898)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$2,974,185</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Debt Retirement Fund	2003 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Local Sources	\$2,163,737	\$1,790,890	\$20,702	\$432,015	\$4,407,344
State Sources	14,727,482	0	0	24,809	14,752,291
Federal Sources	716,430	0	0	426,379	1,142,809
Total Revenues	<u>\$17,607,649</u>	<u>\$1,790,890</u>	<u>\$20,702</u>	<u>\$883,203</u>	<u>\$20,302,444</u>
<u>EXPENDITURES</u>					
Current:					
Instruction	10,224,548	0	0	0	10,224,548
Student Services	861,921	0	0	0	861,921
Instructional Support	804,225	0	0	0	804,225
General Administration	398,912	0	0	0	398,912
School Administration	1,363,900	0	0	0	1,363,900
Business Administration	204,687	0	0	0	204,687
Operation & Maintenance of Plant	1,727,951	0	0	0	1,727,951
Transportation	1,242,917	0	0	0	1,242,917
Support Services - Other	347,497	0	0	0	347,497
Community Services	66,843	0	0	0	66,843
Food Service & Athletics	0	0	0	1,532,338	1,532,338
Debt Service					
Principal	0	692,587	0	0	692,587
Interest	0	1,467,573	0	0	1,467,573
Dues and Fees	0	1,425	0	0	1,425
Other	0	4,889	0	0	4,889
Capital Outlay	0	0	5,067,597	0	5,067,597
Total Expenditures	<u>\$17,243,401</u>	<u>\$2,166,474</u>	<u>\$5,067,597</u>	<u>\$1,532,338</u>	<u>\$26,009,810</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$364,248	(\$375,584)	(\$5,046,895)	(\$649,135)	(\$5,707,366)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers to (from) Other Funds	(419,691)	0	0	419,691	0
Other Transfers	(98,479)	0	0	0	(98,479)
Total Other Financing Sources (Uses)	<u>(\$518,170)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$419,691</u>	<u>(\$98,479)</u>
Net Change in Fund Balance	(\$153,922)	(\$375,584)	(\$5,046,895)	(\$229,444)	(\$5,805,845)
<u>FUND BALANCE - BEGINNING</u>	<u>3,948,245</u>	<u>1,570,833</u>	<u>5,617,492</u>	<u>363,222</u>	<u>11,499,792</u>
<u>FUND BALANCE - ENDING</u>	<u>\$3,794,323</u>	<u>\$1,195,249</u>	<u>\$570,597</u>	<u>\$133,778</u>	<u>\$5,693,947</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	(\$5,805,845)
--------------------------------------------------------	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(388,982)
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Construction in Progress	5,067,597
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	939,376
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Change in accrued interest on long-term liabilities	39,771
-----------------------------------------------------	--------

Decrease in accrued compensated absences	<u>3,731</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$144,352)</u></u>
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IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

		Trust & Agency
<u>ASSETS</u>		
Cash and Cash Equivalents		<u>\$185,016</u>
<u>TOTAL ASSETS</u>		<u>\$185,016</u>
<u>LIABILITIES</u>		
Due to Student Groups		<u>\$185,016</u>
<u>TOTAL LIABILITIES</u>		<u>\$185,016</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Imlay City Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MICMS	\$ 12	0.0027	AAAm	0.00%
MILAF External Investment Pool - MIMAX	1,434,140	0.0027	AAAm	71.72%
US Agency Notes and Bonds	565,496	11.8549		28.28%
Total fair value	<u>\$ 1,999,648</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>3.3545</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 72% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,546,711 of the District's bank balance of \$3,041,296 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$185,016	\$ 2,515,730
Investments	<u>1,999,648</u>
<u>TOTAL</u>	<u>\$ 4,515,378</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 185,016
Cash – District Wide	2,330,714
Investments – District Wide	<u>1,999,648</u>
<u>TOTAL</u>	<u>\$ 4,515,378</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6) RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,704,419
Federal Grants	78,024
Other Grant Programs & Fees	69,397
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,851,840</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the School District had \$9,523 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$800,000 at 1.55% interest per annum on August 20, 2004, from JPMorgan Chase on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid May, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$29,882,762	\$170,282	\$14,644	\$30,038,400
Land	1,122,900	0	0	1,122,900
Equipment and Furniture	901,609	142,697	0	1,044,306
Vehicles	1,365,266	55,996	0	1,421,262
Totals at Historical Cost	\$33,272,537	\$368,975	\$14,644	\$33,626,868
Less: Accumulated Depreciation				
Buildings and Improvements	(8,487,487)	(610,717)	0	(9,098,204)
Equipment and Furniture	(472,477)	(43,642)	(14,644)	(501,475)
Vehicles	(947,482)	(103,598)	0	(1,051,080)
Total Accumulated Depreciation	<u>(\$9,907,446)</u>	<u>(\$757,957)</u>	<u>(\$14,644)</u>	<u>(\$10,650,759)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$23,365,091</u>	<u>(\$388,982)</u>	<u>\$0</u>	<u>\$22,976,109</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 72,734
Support Services	107,595
Food Service	10,687
Athletics	22,019
Unallocated	544,922
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 757,957</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Construction in Progress	\$ 7,110,083
Capital Assets	33,626,868
Less: Accumulated Depreciation	(10,650,759)
Less: Long-Term Liabilities	(32,596,898)
Vacation & Sick Days Payable	217,291
Capital Projects Fund Equity	<u>570,597</u>
 <u>TOTAL</u>	 <u>\$ (1,722,818)</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$83,889 and the School District received a dividend refund of \$14,610.

11) LONG-TERM LIABILITIES

A) BOND ISSUES

1991 Capital Acquisition Bonds

The bonds were issued November 26, 1991, for capital improvements. The bonds mature serially through May 1, 2006, at varying principal amounts. Interest rates on the bonds range from 6.65% to 8.25% per annum. The balance of the bonds at June 30, 2005, was \$534,944.

1994 Refunding Bonds

The bonds were issued February 1, 1994, to advance refund a portion of the 1991 Capital Acquisition Bonds. The bonds mature serially through May 1, 2017, at varying principal amounts. Interest rates on the bonds range from 4.90% to 5.40% per annum. The balance of the bonds at June 30, 2005, was \$15,755,000.

1997 Refunding Bonds

The bonds were issued January 1, 1997, to advance refund a portion of the 1991 Building and Site Bonds. The bonds mature serially through May 1, 2021, at varying principal amounts. Interest rates on the bonds range from 5.00% to 5.70% per annum. The balance of the bonds at June 30, 2005, was \$7,370,000.

Durant Resolution Package Bonds

Imlay City Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$325,344 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$207,851. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

A) BOND ISSUES (Continued)

1999 Energy Conservation Improvements Bonds

Imlay City Community Schools issued Local Government Loan Program Revenue Bonds, Series 1999C for Energy Conservation Improvements on June 24, 1999, in the amount of \$985,000. The bonds mature serially through May 1, 2009 at varying principal amounts. Interest rates on the bonds range from 4.250% to 8.440% per annum. The balance of the bonds at June 30, 2005 was \$450,000.

2003 General Obligation Building & Site Bonds

Imlay City Community Schools has issued General Obligation Bonds dated September 1, 2003, in the amount of \$7,635,000, bearing interest at rates varying from 2.00% to 5.00% per annum. The balance of the bonds as of June 30, 2005 was \$7,360,000.

B) NOTES

Land Contract

The District is indebted on a land contract payable to Citizens First Savings Bank for the purchase of vacant land. The land contract calls for an annual principal payment of \$66,000, plus interest at 5.10% per annum. The balance at June 30, 2005 was \$660,000.

Bus Notes

The District is indebted to National City Bank for two bus loans. The loans call for annual principal payments, plus interest at 5.18% per annum. The loans mature on July 13, 2005. The balance at June 30, 2005 was \$5,470 and \$9,927.

The District is indebted to Lapeer County Bank & Trust for a bus note. The District used this note to purchase two buses. The loan calls for annual principal payments, plus interest at 3.8% per annum. The loan matures on July 10, 2005. The balance at June 30, 2005 was \$26,415.

C) CHANGES IN GENERAL LONG-TERM DEBT

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2004	ADDITIONS	DEDUCTIONS	JUNE 30, 2005	IN ONE YEAR
Bond Issues	\$32,470,382	\$0	\$792,587	\$31,677,795	\$835,692
Notes Payable	848,601	0	146,789	701,812	107,812
Compensated Absences	221,022	0	3,731	217,291	0
<u>Total Governmental Activities</u>	<u>\$33,540,005</u>	<u>\$0</u>	<u>\$943,107</u>	<u>\$32,596,898</u>	<u>\$943,504</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

D) PRINCIPAL REPAYMENT SCHEDULES BY FISCAL YEARS ARE AS FOLLOWS:

	Bonds Payable	Notes Payable	Interest	TOTAL
June 30, 2006	\$1,475,692	\$107,812	\$2,053,512	\$3,637,016
June 30, 2007	1,086,494	66,000	1,581,645	2,734,139
June 30, 2008	1,162,283	66,000	1,528,129	2,756,412
June 30, 2009	1,328,106	66,000	1,473,205	2,867,311
June 30, 2010	1,383,968	66,000	1,449,771	2,899,739
June 30, 2011-2015	10,171,252	330,000	5,683,089	16,184,341
June 30, 2016-2020	8,840,000	0	3,016,121	11,856,121
June 30, 2021-2025	3,355,000	0	1,029,582	4,384,582
June 30, 2026-2030	1,950,000	0	529,230	2,479,230
June 30, 2031-2032	925,000	0	70,000	995,000
<u>TOTAL</u>	<u>\$31,677,795</u>	<u>\$701,812</u>	<u>\$18,414,284</u>	<u>\$50,793,891</u>

The payment dates of sick and vacation pay payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,215,545.

12) OPERATING LEASES

The District currently leases copier machines and a postage machine. The District pays a monthly rate plus a rate per copy. The minimum monthly payments and maturity dates are as follows:

	MONTHLY PAYMENT	MATURITY DATE
Copier – Borland Elementary	\$ 1,182	April, 2007
Copier – Weston Elementary	1,027	January, 2007
Copier – High School	1,514	March, 2007
Copier – Middle School	1,027	December, 2006
Copier – Admin	465	April, 2007
Copier – Venture	298	June, 2007
Postage Machine	700	January, 2007
2006	\$ 74,544	
2007	51,913	
<u>TOTAL</u>	<u>\$ 126,457</u>	

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

DUE FROM	
DUE TO	GENERAL FUND
	Special Revenue Fund
	Debt Retirement Fund
	<u>TOTAL</u>
	<u>\$297,829</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

13) INTERFUND ACTIVITY (Continued)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics	\$419,691
<u>TOTAL</u>	<u>\$419,691</u>

These transfers were made to subsidize the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$1,534,789, \$1,314,857 and \$1,249,217, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principally of which are the Nutrition Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2005, have been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

The District has approved borrowing \$1,000,000 from JPMorgan Chase on a State Aid Anticipation Note to meet cash flow needs for the 2005-2006 fiscal year. The Bonds will be issued and the interest rate determined in August, 2005.

REQUIRED
SUPPLEMENTARY
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$2,123,272	\$2,126,347	\$2,163,737	\$37,390
State Sources	14,199,991	14,615,852	14,727,482	111,630
Federal Sources	657,382	750,863	716,430	(34,433)
Total Revenues	\$16,980,645	\$17,493,062	\$17,607,649	\$114,587
<u>EXPENDITURES</u>				
Current:				
Instruction	10,154,604	10,092,374	10,224,548	(132,174)
Student Services	909,589	896,345	861,921	34,424
Instructional Support	847,519	820,862	804,225	16,637
General Administration	419,369	387,855	398,912	(11,057)
School Administration	1,374,936	1,391,304	1,363,900	27,404
Business Administration	293,635	192,909	204,687	(11,778)
Operation & Maintenance of Plant	1,724,190	1,767,518	1,727,951	39,567
Transportation	1,198,122	1,250,626	1,242,917	7,709
Support Services - Other	168,284	342,707	347,497	(4,790)
Community Services	88,272	68,795	66,843	1,952
Total Expenditures	\$17,178,520	\$17,211,295	\$17,243,401	(\$32,106)
Excess of Revenues Over Expenditures	(\$197,875)	\$281,767	\$364,248	\$82,481
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(480,135)	(608,284)	(518,170)	90,114
	(\$678,010)	(\$326,517)	(\$153,922)	\$172,595
<u>FUND BALANCE - BEGINNING</u>			3,948,245	
<u>FUND BALANCE - ENDING</u>			\$3,794,323	

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT RETIREMENT FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,693,889	\$1,860,000	\$1,790,890	(\$69,110)
<u>EXPENDITURES</u>				
Principal	598,290	692,588	692,587	1
Interest	1,481,870	1,467,574	1,467,573	1
Dues and Fees	900	900	1,425	(525)
Other	0	4,900	4,889	11
Total Expenditures	<u>\$2,081,060</u>	<u>\$2,165,962</u>	<u>\$2,166,474</u>	<u>(\$512)</u>
Excess of Revenues Over Expenditures	<u>(\$387,171)</u>	<u>(\$305,962)</u>	<u>(\$375,584)</u>	<u>(\$69,622)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,570,833</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,195,249</u>	

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
2003 CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$25,000	\$20,000	\$20,702	\$702
<u>EXPENDITURES</u>				
Capital Outlay	5,947,450	5,617,492	5,067,597	549,895
Excess of Revenues (Under) Expenditures	(\$5,922,450)	(\$5,597,492)	(\$5,046,895)	(\$549,193)
<u>FUND BALANCE - BEGINNING</u>			<u>5,617,492</u>	
<u>FUND BALANCE - ENDING</u>			<u><u>\$570,597</u></u>	

OTHER SUPPLEMENTAL
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$157,390	\$166,595	\$323,985
Due from Other Governmental Units	2,308	0	2,308
Inventory	20,473	0	20,473
<u>TOTAL ASSETS</u>	<u>\$180,171</u>	<u>\$166,595</u>	<u>\$346,766</u>
<u>LIABILITIES</u>			
Accounts Payable	\$49	\$141	\$190
Due to Other Funds	45,657	166,454	212,111
Deferred Revenue	687	0	687
Total Liabilities	\$46,393	\$166,595	\$212,988
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	20,473	0	20,473
Fund Balance - Unreserved and Undesignated	113,305	0	113,305
Total Fund Equity	\$133,778	\$0	\$133,778
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$180,171</u>	<u>\$166,595</u>	<u>\$346,766</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$337,827	\$0	\$337,827
Athletic Activities	0	77,515	77,515
Earnings on Investments	5,328	2,974	8,302
Other Local Revenue	7,941	430	8,371
Total Local Sources	\$351,096	\$80,919	\$432,015
<u>State Sources</u>			
State Reimbursements	24,809	0	24,809
<u>Federal Sources</u>			
Federal Reimbursements	426,379	0	426,379
Total Revenues	\$802,284	\$80,919	\$883,203
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	419,691	419,691
Total Revenues and Other Financing Sources	\$802,284	\$500,610	\$1,302,894
<u>EXPENDITURES</u>			
Salaries - Professional	31,721	47,092	78,813
Salaries - Non-Professional	219,749	241,494	461,243
Insurances	23,269	17,287	40,556
Fica, Retirement, Etc.	57,316	64,772	122,088
Other Benefits	4,650	1,800	6,450
Purchased Services	14,142	38,750	52,892
Supplies and Materials	369,524	11,159	380,683
Capital Outlay	307,703	60,865	368,568
Other	3,654	17,391	21,045
Total Expenditures	\$1,031,728	\$500,610	\$1,532,338
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$229,444)</u>	<u>\$0</u>	<u>(\$229,444)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$363,222</u>	<u>\$0</u>	<u>\$363,222</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$133,778</u>	<u>\$0</u>	<u>\$133,778</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,899,938	\$1,890,868	(\$9,070)
Earnings on Investments and Deposits	29,278	35,184	5,906
Tuition	8,500	8,491	(9)
Preschool	23,317	24,036	719
Child Care & Latchkey	26,866	27,856	990
Transportation	65,000	72,190	7,190
Rentals	14,500	17,676	3,176
Medicaid Reimbursement	42,878	65,655	22,777
Other Local Revenues	16,070	21,781	5,711
Total Revenues from Local Sources	\$2,126,347	\$2,163,737	\$37,390
<u>State Sources</u>			
Unrestricted State Aid Sec. 20	13,523,112	13,611,499	88,387
Special Education	557,556	581,095	23,539
Special Ed Rule Change Cost	13,133	13,133	0
Durant	32,534	32,534	0
Adult Education	8,721	8,739	18
Preschool	105,600	105,600	0
Bilingual Program	9,674	9,694	20
Gifted and Talented - Sec. 57.3	316	0	(316)
At Risk Sec. 31a	365,206	365,188	(18)
Total Revenues from State Sources	\$14,615,852	\$14,727,482	\$111,630
<u>Federal Sources</u>			
Title I	207,059	207,059	0
Title V	1,413	1,413	0
Drug Free Schools	0	2,582	2,582
Technology Literacy Grant	6,783	5,536	(1,247)
Transition Services	0	1,625	1,625
Capacity Building	5,173	2,176	(2,997)
English Language Acquisition Grants	44,920	32,921	(11,999)
Migrant Programs	215,311	215,311	0
Improving Teacher Quality	114,460	94,735	(19,725)
IDEA Special Education	138,250	136,745	(1,505)
Preschool	12,482	12,482	0
Learn and Serve Grants	0	3,567	3,567
Medicaid Outreach Administrative Claims	5,012	278	(4,734)
Total Revenues from Federal Sources	\$750,863	\$716,430	(\$34,433)
Total Revenues	\$17,493,062	\$17,607,649	\$114,587

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	\$131,194	\$171,225	\$40,031
Sale of Fixed Assets	7,100	7,127	27
Reimbursements - Insurance Claims	101,729	101,729	0
Refund of Prior Years Expenditures	14,900	14,910	10
Total Other Financing Sources	<u>\$254,923</u>	<u>\$294,991</u>	<u>\$40,068</u>
 <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	 <u>\$17,747,985</u>	 <u>\$17,902,640</u>	 <u>\$154,655</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Weston - Elementary</u>			
Salaries - Professional	\$1,278,411	\$1,403,821	(\$125,410)
Salaries - Non-Professional	106,291	100,956	5,335
Insurances	219,600	253,200	(33,600)
Fica, Retirement, Etc.	312,835	335,812	(22,977)
Other Benefits	9,900	7,980	1,920
Purchased Services	4,000	4,699	(699)
Supplies and Materials	67,240	55,112	12,128
Capital Outlay	3,000	1,811	1,189
Other	100	501	(401)
Total Weston - Elementary	\$2,001,377	\$2,163,892	(\$162,515)
<u>Borland - Elementary</u>			
Salaries - Professional	1,229,726	1,140,256	89,470
Salaries - Non-Professional	68,900	73,959	(5,059)
Insurances	233,005	221,732	11,273
Fica, Retirement, Etc.	293,450	270,495	22,955
Other Benefits	5,436	5,100	336
Purchased Services	3,855	2,620	1,235
Supplies and Materials	48,949	44,415	4,534
Capital Outlay	5,000	5,873	(873)
Other	350	50	300
Total Borland - Elementary	\$1,888,671	\$1,764,500	\$124,171
<u>Middle School</u>			
Salaries - Professional	1,295,989	1,327,017	(31,028)
Salaries - Non-Professional	104,685	108,127	(3,442)
Insurances	258,680	285,719	(27,039)
Fica, Retirement, Etc.	316,838	318,817	(1,979)
Other Benefits	1,800	3,150	(1,350)
Purchased Services	6,231	9,809	(3,578)
Supplies and Materials	48,509	44,305	4,204
Capital Outlay	5,945	5,901	44
Other	700	959	(259)
Total Middle School	\$2,039,377	\$2,103,804	(\$64,427)
<u>High School</u>			
Salaries - Professional	1,461,319	1,443,216	18,103
Salaries - Non-Professional	105,837	107,754	(1,917)
Insurances	306,363	313,363	(7,000)
Fica, Retirement, Etc.	355,138	348,350	6,788
Other Benefits	5,400	5,400	0
Purchased Services	18,950	22,604	(3,654)
Supplies and Materials	86,588	76,998	9,590
Capital Outlay	22,400	20,524	1,876
Other	3,800	4,752	(952)
Total High School	\$2,365,795	\$2,342,961	\$22,834

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS (Continued)</u>			
<u>Venture</u>			
Salaries - Professional	\$234,515	231,189	\$3,326
Salaries - Non-Professional	8,850	8,249	601
Insurance	30,738	24,454	6,284
Fica, Retirement, Etc.	54,320	53,475	845
Other Benefits	1,800	1,800	0
Purchased Services	3,550	3,672	(122)
Supplies and Materials	16,949	15,879	1,070
Capital Outlay	3,800	50,562	(46,762)
Total Venture	\$354,522	\$389,280	(\$34,758)
<u>Preschool - Borland Elementary</u>			
Salaries - Professional	12,516	12,607	(91)
Salaries - Non-Professional	9,592	7,421	2,171
Fica, Retirement, Etc.	4,978	4,683	295
Purchased Services	900	863	37
Supplies and Materials	400	336	64
Other	150	98	52
Total Preschool - Borland Elementary	\$28,536	\$26,008	\$2,528
<u>Total Basic Programs</u>	\$8,678,278	\$8,790,445	(\$112,167)
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	474,580	492,232	(17,652)
Salaries - Non-Professional	47,185	46,746	439
Insurances	124,593	126,091	(1,498)
Fica, Retirement, Etc.	118,050	121,677	(3,627)
Other Benefits	0	600	(600)
Purchased Services	550	126	424
Supplies and Materials	250	2,455	(2,205)
Total Special Education	\$765,208	\$789,927	(\$24,719)
<u>Compensatory Education</u>			
Salaries - Professional	209,745	204,932	4,813
Salaries - Non-Professional	205,701	215,010	(9,309)
Insurances	64,227	59,738	4,489
Fica, Retirement, Etc.	93,547	91,997	1,550
Other Benefits	7,290	5,100	2,190
Purchased Services	40,186	40,873	(687)
Supplies and Materials	27,092	25,621	1,471
Capital Outlay	500	447	53
Other	600	458	142
Total Compensatory Education	\$648,888	\$644,176	\$4,712
<u>Total Added Needs</u>	\$1,414,096	\$1,434,103	(\$20,007)
<u>Total Instruction</u>	\$10,092,374	\$10,224,548	(\$132,174)

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>SUPPORT SERVICES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>STUDENT SERVICES</u>			
Salaries - Professional	\$582,376	\$556,844	\$25,532
Salaries - Non-Professional	23,675	23,031	644
Insurances	116,235	113,326	2,909
Fica, Retirement, Etc.	137,884	129,787	8,097
Other Benefits	4,680	4,800	(120)
Purchased Services	26,825	29,547	(2,722)
Supplies and Materials	4,570	4,047	523
Other	100	539	(439)
Total Student Services	\$896,345	\$861,921	\$34,424
<u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	254,445	260,604	(6,159)
Salaries - Non-Professional	155,623	167,366	(11,743)
Insurances	87,320	88,601	(1,281)
Fica, Retirement, Etc.	93,461	92,440	1,021
Other Benefits	18,900	14,477	4,423
Purchased Services	140,292	111,549	28,743
Supplies and Materials	40,691	40,222	469
Capital Outlay	7,650	6,802	848
Other	22,480	22,164	316
Total Instructional Staff	\$820,862	\$804,225	\$16,637
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	113,517	112,017	1,500
Salaries - Non-Professional	62,561	85,841	(23,280)
Insurances	23,945	23,875	70
Fica, Retirement, Etc.	39,507	35,937	3,570
Other Benefits	0	5	(5)
Purchased Services	98,200	98,412	(212)
Supplies and Materials	5,975	5,822	153
Capital Outlay	19,350	14,795	4,555
Other	24,800	22,208	2,592
Total General Administration	\$387,855	\$398,912	(\$11,057)
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	525,786	534,468	(8,682)
Salaries - Non-Professional	280,153	282,089	(1,936)
Insurances	194,918	173,667	21,251
Fica, Retirement, Etc.	182,767	175,786	6,981
Other Benefits	24,600	18,967	5,633
Purchased Services	102,900	102,698	202
Supplies and Materials	42,560	40,366	2,194
Capital Outlay	22,600	20,288	2,312
Other	15,020	15,571	(551)
Total School Administration	\$1,391,304	\$1,363,900	\$27,404

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BUSINESS OFFICE</u>			
Salaries - Professional	\$110,049	\$115,469	(\$5,420)
Salaries - Non-Professional	5,785	2,811	2,974
Insurances	29,744	32,809	(3,065)
Fica, Retirement, Etc.	23,653	24,197	(544)
Other Benefits	5,618	8,844	(3,226)
Purchased Services	9,160	8,055	1,105
Supplies and Materials	4,100	3,200	900
Capital Outlay	3,500	2,851	649
Other	1,300	6,451	(5,151)
Total Business Office	\$192,909	\$204,687	(\$11,778)
<u>OPERATION AND MAINTENANCE OF PLANT</u>			
Salaries - Non-Professional	567,334	597,684	(30,350)
Insurances	147,497	169,141	(21,644)
Fica, Retirement, Etc.	131,565	133,226	(1,661)
Other Benefits	8,000	8,550	(550)
Purchased Services	278,822	251,188	27,634
Supplies and Materials	554,050	518,680	35,370
Capital Outlay	80,000	49,257	30,743
Other	250	225	25
Total Operation and Maintenance of Plant	\$1,767,518	\$1,727,951	\$39,567
<u>TRANSPORTATION</u>			
Salaries - Professional	42,271	43,346	(1,075)
Salaries - Non-Professional	520,470	512,810	7,660
Insurances	243,851	235,256	8,595
Fica, Retirement, Etc.	130,041	124,936	5,105
Other Benefits	3,600	5,850	(2,250)
Purchased Services	58,676	43,212	15,464
Supplies and Materials	188,100	201,469	(13,369)
Capital Outlay	56,292	68,578	(12,286)
Other	7,325	7,460	(135)
Total Transportation	\$1,250,626	\$1,242,917	\$7,709
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	9,000	2,600	6,400
Salaries - Non-Professional	82,109	80,022	2,087
Insurances	11,549	11,096	453
Fica, Retirement, Etc.	20,718	18,813	1,905
Other Benefits	2,500	2,500	0
Purchased Services	53,200	82,395	(29,195)
Supplies and Materials	27,000	20,052	6,948
Capital Outlay	136,431	129,874	6,557
Other	200	145	55
Total Other Support Services	\$342,707	\$347,497	(\$4,790)
<u>Total Support Services</u>	<u>\$7,050,126</u>	<u>\$6,952,010</u>	<u>\$98,116</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$18,371	\$18,371	\$0
Salaries - Non-Professional	26,839	26,197	642
Insurances	4	6	(2)
Fica, Retirement, Etc.	10,581	9,998	583
Purchased Services	12,000	11,912	88
Supplies and Materials	1,000	359	641
Total Community Services	<u>\$68,795</u>	<u>\$66,843</u>	<u>\$1,952</u>
 <u>TOTAL EXPENDITURES</u>	 \$17,211,295	 \$17,243,401	 (32,106)
 <u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	82,864	41,771	41,093
Tax Chargebacks	35,000	32,557	2,443
Loan Payments	319,142	319,142	0
Transfers to Other Funds	<u>426,201</u>	<u>419,691</u>	<u>6,510</u>
 <u>TOTAL OTHER FINANCING USES</u>	 \$863,207	 \$813,161	 \$50,046
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$18,074,502</u>	 <u>\$18,056,562</u>	 <u>\$17,940</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
Art	\$409	\$3,330	\$1,948	\$1,791
Athletic Administration	393	30	21	402
Athletic Pop Fund	15,553	21,191	26,489	10,255
Band	2,916	28,641	24,229	7,328
Baseball	(9)	0	0	(9)
Beatrice Presley Reec	545	1,013	1,068	490
Beverage Consortium	36,685	17,392	3,252	50,825
Borland Art	0	1,087	27	1,060
Borland Awards	371	0	371	0
Borland BLT	0	2,101	53	2,048
Borland Candy/PTA	165	0	165	0
Borland Enrichment	0	551	551	0
Borland Field Trip	157	356	513	0
Borland General	9,550	43,727	30,588	22,689
Borland Latchkey	475	2,258	2,434	299
Borland Library	4,987	8	4,995	0
Borland Photo	8,212	3,502	11,714	0
Borland Pop	501	67	568	0
Boys Golf	142	7	4	145
Bus Garage/Transportation	878	733	1,160	451
Cheerleading - HS	204	20,009	19,572	641
Class of 2003	115	0	115	0
Class of 2004	991	646	1,019	618
Class of 2005	1,068	1,825	2,278	615
Class of 2006	552	15,981	13,731	2,802
Class of 2007	1,233	381	1,549	65
Class of 2008	0	4,561	3,414	1,147
Class of 2009	0	1,030	822	208
Close Up	1,216	0	1,216	0
Counseling	578	9,128	7,742	1,964
Devin Faden Memorial	4,404	113	113	4,404
Drama Club	1,068	3,075	2,491	1,652
Drivers Education	70	0	70	0
ECO-Outreach Club	117	0	117	0
Football	4,002	2,570	6,298	274
French Club	1,147	3,010	3,706	451
Gifted & Talented	651	49	34	666
Girls Tennis	26	1	1	26
Golf	1,261	1,341	978	1,624
HS Athletic Program	2,586	3,143	4,219	1,510
HS Field Trip	0	930	548	382
HS Humanities	273	0	273	0
HS Library	190	366	255	301
HS Science Club	0	2,030	1,428	602
HS Yearbook	5,481	32,522	37,351	652
ICCS Alchemy-Science Clut	526	0	526	0
Subtotal	\$109,689	\$228,705	\$220,016	\$118,378

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
ICCS Alumni Assoc.	\$2,926	\$3,644	\$3,922	\$2,648
ICCS Choir	5,124	2,095	1,595	5,624
IC Girls Basketball	0	52	1	51
In & Out	500	3,632	3,708	424
Interest	462	8,747	9,209	0
Little League B-Ball	256	2,871	2,177	950
Morgan's Xmas Service	0	4,076	4,076	0
MS Cheerleading	30	3,055	2,976	109
MS Class Trip	1,903	38,426	37,626	2,703
MS Close Up	1,997	0	1,997	0
MS Enrichment	7,745	4,753	7,560	4,938
MS General	2,353	23,040	20,831	4,562
MS Girls Softball	405	31	21	415
MS Library	195	3,460	3,205	450
MS Pop	1,618	1,860	2,209	1,269
MS Pride Committee	277	21	14	284
MS Student Council	2,920	6,421	6,853	2,488
MS Student Success	2,605	2,645	1,861	3,389
MS Yearbook	144	7,380	6,576	948
NHS	909	6,381	4,573	2,717
Pat Buckingham Memorial	331	0	311	20
Pop/Gift Fund	654	803	1,013	444
Pre-Vocational	39	0	39	0
Project Graduation	281	615	896	0
Project Heritage	271	21	14	278
Quiz Bowl	59	1	44	16
Readiness	1,307	218	1,643	(118)
Renaissance	61	7	5	63
SADD	956	63	170	849
Ski Club	371	9,471	9,163	679
Spanish Club	810	2,177	2,541	446
Spartan Voice	1,434	72	37	1,469
Sr High General	2,601	8,193	6,946	3,848
Student Council	1,786	6,071	5,012	2,845
Summer Sports Camp	140	2,419	2,415	144
Tennis	113	218	215	116
Theatrical Starz	0	9	9	0
Venture High School	7,918	5,638	3,618	9,938
Volleyball	698	6,824	5,771	1,751
Weston General	7,370	20,722	21,159	6,933
Weston Kindergarten Snacks	141	7	3	145
Weston Library	731	161	750	142
Weston Pop	1,372	46	495	923
Wrestling	432	1,878	572	1,738
TOTALS	\$171,934	\$416,929	\$403,847	\$185,016

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

CAPITAL ACQUISITION BONDS - ISSUED NOVEMBER 26, 1991

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006	<u>\$420,028</u>	<u>\$420,028</u>	6.650%	<u>\$534,944</u>	<u>\$1,375,000</u>

The bond issue was for the purpose of erecting, furnishing, and equipping a new high school; partially remodeling the existing high school for middle school purposes; erecting additions to the existing elementary schools; developing and improving sites and to advance refund the district's March 1, 1991 building and site bonds.

REFUNDING BONDS - ISSUED FEBRUARY 1, 1994

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$0	\$414,495	4.900%	\$640,000	\$1,054,495
2007-2008	398,815	398,815	5.000%	775,000	1,572,630
2008-2009	379,440	379,440	5.050%	835,000	1,593,880
2009-2010	358,356	358,356	5.100%	985,000	1,701,712
2010-2011	333,239	333,239	5.150%	1,155,000	1,821,478
2011-2012	303,498	303,498	5.200%	1,335,000	1,941,996
2012-2013	268,788	268,788	5.250%	1,530,000	2,067,576
2013-2014	228,625	228,625	5.300%	1,750,000	2,207,250
2014-2015	182,250	182,250	5.400%	1,985,000	2,349,500
2015-2016	128,655	128,655	5.400%	2,245,000	2,502,310
2016-2017	<u>68,040</u>	<u>68,040</u>	5.400%	<u>2,520,000</u>	<u>2,656,080</u>
<u>TOTAL</u>	<u>\$2,649,706</u>	<u>\$3,064,201</u>		<u>\$15,755,000</u>	<u>\$21,468,907</u>

The bond issue was to advance refund capital appreciation bonds issued November 26, 1991.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

REFUNDING BONDS - ISSUED JANUARY 1, 1997

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2005-2006	\$207,139	\$207,138	5.000%	\$35,000	\$449,277
2006-2007	206,263	206,264	5.000%	35,000	447,527
2007-2008	205,389	205,389	5.100%	35,000	445,778
2008-2009	204,496	204,496	5.200%	40,000	448,992
2009-2010	203,456	203,456	5.300%	40,000	446,912
2010-2011	202,396	202,396	5.400%	45,000	449,792
2011-2012	201,181	201,181	5.450%	45,000	447,362
2012-2013	199,955	199,955	5.500%	45,000	444,910
2013-2014	198,718	198,718	5.500%	50,000	447,436
2014-2015	197,343	197,343	5.600%	50,000	444,686
2015-2016	195,943	195,943	5.600%	55,000	446,886
2016-2017	194,403	194,403	5.600%	60,000	448,806
2017-2018	192,722	192,723	5.600%	1,600,000	1,985,445
2018-2019	147,923	147,923	5.625%	1,700,000	1,995,846
2019-2020	100,110	100,110	5.625%	1,700,000	1,900,220
2020-2021	52,298	52,298	5.700%	1,835,000	1,939,596
<u>TOTAL</u>	<u>\$2,909,735</u>	<u>\$2,909,736</u>		<u>\$7,370,000</u>	<u>\$13,189,471</u>

The bond issue was to advance refund Building and Site Bonds issued November 26, 1991.

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$325,344

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2006	\$7,099	4.761353%	\$15,748	\$22,847
2007	6,349	4.761353%	16,494	22,843
2008	5,564	4.761353%	17,283	22,847
2009	4,741	4.761353%	18,106	22,847
2010	3,879	4.761353%	18,968	22,847
2011	29,184	4.761353%	78,629	107,813
2012	2,029	4.761353%	20,816	22,845
2013	1,038	4.761353%	21,807	22,845
<u>TOTAL</u>	<u>\$59,883</u>		<u>\$207,851</u>	<u>\$267,734</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2005

ENERGY CONSERVATION IMPROVEMENT BONDS - ISSUED JUNE 24, 1999

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2005-2006	\$10,470	\$10,470	4.550%	\$105,000	\$125,940
2006-2007	8,081	8,081	4.650%	110,000	126,162
2007-2008	5,524	5,524	4.650%	115,000	126,048
2008-2009	2,850	2,850	4.750%	120,000	125,700
<u>TOTAL</u>	<u>\$26,925</u>	<u>\$26,925</u>		<u>\$450,000</u>	<u>\$503,850</u>

2003 GENERAL OBLIGATION BUILDING & SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2005-2006	\$160,791	\$160,791	2.000%	\$145,000	\$466,582
2006-2007	159,341	159,341	2.500%	150,000	468,682
2007-2008	157,466	157,466	3.000%	160,000	474,932
2008-2009	155,066	155,066	3.000%	165,000	475,132
2009-2010	152,591	152,591	3.500%	170,000	475,182
2010-2011	149,616	149,616	3.550%	180,000	479,232
2011-2012	146,421	146,421	3.650%	185,000	477,842
2012-2013	143,045	143,045	3.750%	195,000	481,090
2013-2014	139,389	139,389	3.850%	200,000	478,778
2014-2015	135,539	135,539	4.000%	210,000	481,078
2015-2016	131,339	131,339	4.050%	220,000	482,678
2016-2017	126,884	126,884	4.150%	230,000	483,768
2017-2018	122,111	122,111	4.250%	240,000	484,222
2018-2019	117,011	117,011	4.350%	250,000	484,022
2019-2020	111,574	111,574	4.450%	265,000	488,148
2020-2021	105,678	105,678	4.500%	275,000	486,356
2021-2022	99,490	99,490	4.550%	290,000	488,980
2022-2023	92,893	92,893	4.600%	305,000	490,786
2023-2024	85,878	85,878	4.650%	315,000	486,756
2024-2025	78,554	78,554	4.650%	335,000	492,108
2025-2026	70,765	70,765	4.800%	350,000	491,530
2026-2027	62,365	62,365	4.800%	370,000	494,730
2027-2028	53,485	53,485	4.800%	390,000	496,970
2028-2029	44,125	44,125	5.000%	410,000	498,250
2029-2030	33,875	33,875	5.000%	430,000	497,750
2030-2031	23,125	23,125	5.000%	450,000	496,250
2031-2032	11,875	11,875	5.000%	475,000	498,750
<u>TOTAL</u>	<u>\$2,870,292</u>	<u>\$2,870,292</u>		<u>\$7,360,000</u>	<u>\$13,100,584</u>

IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

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August 3, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Imlay City Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the Imlay City Community Schools' basic financial statements and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Imlay City Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imlay City Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Imlay City Community Schools, in a separate letter dated August 3, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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August 3, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Imlay City Community Schools

Compliance

We have audited the compliance of Imlay City Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Imlay City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Imlay City Community Schools' management. Our responsibility is to express an opinion on Imlay City Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imlay City Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Imlay City Community Schools' compliance with those requirements.

In our opinion, Imlay City Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Imlay City Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Imlay City Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Imlay City Community Schools
Page 2
August 3, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Imlay City Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (04-05)		51530-0405	\$207,059
Migrant Education	84.011		
Migrant Education - Regular (04-05)		51890-0405	95,256
Migrant Education - Summer Formula (04-05)		41830-2004	120,055
Total Migrant Education			<u>\$215,311</u>
Innovative Education Programs	84.298		
Title V (04-05)		50250-0405	1,413
Technology Literacy Grants	84.318		
Technology Literacy Grants (03-04)		44290-0304	5,549
Technology Literacy Grants (04-05)		44290-0405	5,262
Total Technology Literacy Grants			<u>\$10,811</u>
English Language Acquisition Grants	84.365A		
Limited English Proficient (04-05)		50580-0405	27,143
Limited English Proficient (04-05)		40580-0405	17,777
Total English Language Acquisition Grants			<u>\$44,920</u>
Title IIA	84.367		
Improving Teacher Quality (03-04)		40520-0304	85,885
Improving Teacher Quality (04-05)		50520-0405	84,351
Total Title IIA			<u>\$170,236</u>
Total Passed Through the Michigan Department of Education			<u>\$649,750</u>
Passed Through Lapeer Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (04-05)		50450-0405	138,250
Capacity Building Grant (04-05)		50490-CB	2,176
Transition Services and Coordination Grant (04-05)		50490-30TS	395
Transition Services and Coordination Grant (04-05)		50490-30TS	1,230
Total Special Education - Grants to States			<u>\$142,051</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool (04-05)		50460-0405	12,482
Total Passed Through Lapeer Intermediate School District			<u>\$154,533</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$207,059	\$0	\$175,000	\$32,059
0	0	95,256	0	80,000	15,256
0	0	120,055	0	120,055	0
\$0	\$0	\$215,311	\$0	\$200,055	\$15,256
0	0	1,413	0	1,413	0
0	4,028	1,521	0	1,141	380
0	0	4,015	0	489	3,526
\$0	\$4,028	\$5,536	\$0	\$1,630	\$3,906
0	0	15,144	0	0	15,144
0	0	17,777	0	17,777	0
\$0	\$0	\$32,921	\$0	\$17,777	\$15,144
0	75,501	10,384	0	10,384	0
0	0	84,351	0	75,000	9,351
\$0	\$75,501	\$94,735	\$0	\$85,384	\$9,351
\$0	\$79,529	\$556,975	\$0	\$481,259	\$75,716
0	0	136,745	0	136,745	0
0	0	2,176	0	2,176	0
0	0	395	0	395	0
0	0	1,230	0	1,230	0
\$0	\$0	\$140,546	\$0	\$140,546	\$0
0	0	12,482	0	12,482	0
\$0	\$0	\$153,028	\$0	\$153,028	\$0

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District:			
Safe & Drug Free Schools	84.186		
Drug Free Schools (04-05)		42860-0304	\$2,600
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$806,883
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	39,122
Bonus Commodities		N/A	12,921
Total Commodities			\$52,043
School Breakfast Program	10.553	N/A	75,779
National School Lunch Program	10.555	N/A	281,430
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$409,252
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Lapeer Intermediate School District			
Medical Assistance Program Title XIX	93.778		
Medicaid Transportation (04-05)		N/A	278
Medicaid Transportation (03-04)		N/A	1,458
Total Medical Assistance Program Title XIX			\$1,736
Passed Through Northeast Michigan Community Services Agency, Inc. (NEMCSA)			
Head Start (03-04)	93.600	N/A	18,171
Head Start (04-05)	93.600	N/A	17,127
Total Head Start			\$35,298
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$37,034
<u>CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>			
Passed Through Lapeer Intermediate School District			
Serve America Grant	94.004	N/A	2,767
Learn and Serve America Grant	94.004	N/A	800
<u>TOTAL CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>			\$3,567
<u>TOTAL FEDERAL AWARDS</u>			\$1,256,736

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$2,582	\$0	\$2,582	\$0
\$0	\$79,529	\$712,585	\$0	\$636,869	\$75,716
0	0	39,122	0	39,122	0
0	0	12,921	0	12,921	0
\$0	\$0	\$52,043	\$0	\$52,043	\$0
0	0	75,779	0	75,779	0
0	0	281,430	0	281,430	0
\$0	\$0	\$409,252	\$0	\$409,252	\$0
0	0	278	0	278	0
108	1,458	0	0	108	0
\$108	\$1,458	\$278	\$0	\$386	\$0
0	18,171	0	2,308	0	2,308
0	0	17,127	0	17,127	0
\$0	\$18,171	\$17,127	\$2,308	\$17,127	\$2,308
\$108	\$19,629	\$17,405	\$2,308	\$17,513	\$2,308
0	0	2,767	0	2,767	0
0	0	800	0	800	0
\$0	\$0	\$3,567	\$0	\$3,567	\$0
\$108	\$99,158	\$1,142,809	\$2,308	\$1,067,201	\$78,024

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$1,142,809

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund

\$716,430

School Service Fund

426,379

TOTAL

\$1,142,809

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$2,308 was made to the Head Start 03-04 (CFDA 93.600) grant due to receivable not being collected from prior year.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$842,959
<u>Less:</u> State Funded Grants		
Driver Education	(\$3,963)	
State Breakfast Programs	(528)	
Total State Funded Grants		(4,491)
<u>Add:</u> Passed Through Lapeer Intermediate School District:		
Special Education (CFDA 84.027)	\$140,546	
IDEA Preschool (CFDA 84.173)	12,482	
Medical Assistance Program Title XIX (CFDA 93.778)	386	
Learn and Serve America Grants (CFDA 94.004)	3,567	
Total Passed Through Lapeer Intermediate School District		156,981
Passed Through Genesee Intermediate School District:		
Safe & Drug Free Schools (CFDA 84.186)		2,582
Passed Through NEMCSA		
Head Start (CFDA 93.600)		17,127
Entitlement and Bonus Commodities (CFDA 10.550)		52,043
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$1,067,201</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.553/10.555

Name of Federal Program or Cluster
Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 3, 2005

To the Board of Education of
Imlay City Community Schools

In planning and performing our audit of the financial statements of Imlay City Community Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Imlay City Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Imlay City Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Imlay City Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Imlay City Community Schools

Page 2

August 3, 2005

- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Imlay City Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS